



ANNUAL report
2001

Realizing The Vision

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Kentucky is a major player in job creation. *Site Selection* magazine currently ranks Kentucky second in the nation for overall success in attracting new and expanded industries. Since 1995, nearly 160,000 new jobs have been announced or created in Kentucky.

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Success in economic development depends on forging an effective team. The Kentucky Cabinet for Economic Development, through the Economic Development Partnership Board, works closely with communities, local economic development agencies and utility companies to produce a stronger Kentucky economy.

PARTNERSHIPboard

Governor Paul E. Patton, Chairman
Commonwealth of Kentucky

Secretary James E. Bickford
Natural Resources and Environmental
Protection Cabinet

Luther Deaton, Jr., Vice Chairman
President and CEO
Central Bank & Trust Company

William F. Dohn
Proprietor
Dohn & Dohn Gardens

Secretary T. Kevin Flanery
Finance and Administration Cabinet

Sheila R. Hammons
Director of Finance
Cincinnati/Northern Kentucky
International Airport

William J. Jones
President and CEO
Firststar Bank

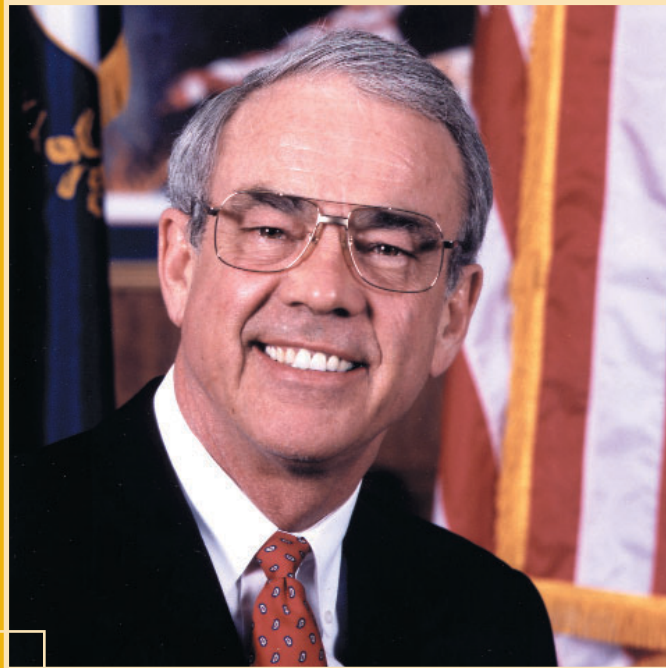
Secretary Ann R. Latta
Tourism Development Cabinet

Linda S. McGinnis
President and CEO
Appalachian Regional Manufacturing Inc.

Secretary Marvin E. Strong, Jr.
Cabinet for Economic Development

Jean M. Wells
Vice President
Wells Health Systems

Sandra B. Wood
President
McLean County Industrial Foundation



Our eye is on the prize. That prize is to set Kentucky on the path to achieving economic opportunity and a standard of living above the national average in 20 years.

from the GOVERNOR

Dear Citizens,

There's never been a better time to be in Kentucky. Whether you're growing a business, building a career, raising a family or just planning a vacation, you'll find Kentucky rich in exciting and rewarding opportunities. [The Cabinet for Economic Development has played a key role in creating the strong, diversified economy we enjoy today.](#) And it will continue to leverage that strength to ensure that people in our inner cities, suburbs and small towns all share in the vitality and prosperity that distinguishes Kentucky in the 21st century.

Kentucky's landscape is more than the physical features that distinguish our beautiful state. It's the blend of industries that comprise our business sector whose continued prosperity is due in large part to community and business programs working together for a better Kentucky economy.

Our eye is on the prize. That prize is to set Kentucky on the path to achieving economic opportunity and a standard of living above the national average in 20 years. How are we accomplishing this? Let me give you some examples:

- Since 1995, manufacturing and supportive service firm announced, expanded or established investments have totaled almost \$18 billion, with 159,750 new jobs created.
- Twelve Japanese companies announced, expanded or established facilities in Kentucky in 2001, representing over \$201 million in investments and creating 841 jobs when full employment is reached.
- There are 150 European-owned facilities in Kentucky, employing approximately 26,700 people. During 2001, nine European companies announced, established or expanded facilities in Kentucky, investing over \$67.5 million and creating 1,001 jobs at fruition.
- The Office for the New Economy, through the Kentucky Economic Development Partnership, established Commonwealth Seed Capital LLC to facilitate the commercialization of innovative ideas and technologies developed in Kentucky. Commonwealth Seed Capital was established with an initial investment of \$10 million from the New Economy Investment Fund. Commonwealth Seed Capital LLC will invest its capital in private venture capital funds, directly in private companies and through other investment entities to achieve its goals.

I commend the Kentucky Cabinet for Economic Development for its leadership in improving the standard of living for Kentuckians. I look forward to working with the Cabinet in keeping the state's economy, communities and quality of life among the best in America.

Sincerely,



Paul E. Patton, Governor



Announced investments for manufacturing and service-related firms for 2001 totaled over \$1.8 billion and were responsible for the creation of 13,150 new jobs. According to *Inc* magazine, seven of the fastest growing private companies in 2001 were located in Kentucky.

from the SECRETARY

Dear Citizens,

Kentucky started the 21st century building off the historic growth that it experienced in the 1990s. Kentucky is currently ranked second in the U.S. for overall success in attracting new and expanded industries, for the period 1999-2001, according to *Site Selection* magazine's annual Governor's Cup scoreboard. Kentucky's economy continued to experience low unemployment, net job growth and large amounts of industrial investment in 2001.

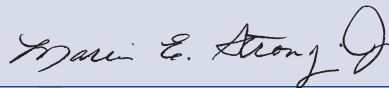
In fact, announced investments for manufacturing and service-related firms for 2001 totaled over \$1.8 billion and were responsible for the creation of 13,150 new jobs. According to *Inc* magazine, seven of the fastest growing private companies in 2001 were located in Kentucky. Since 1990, growth in Kentucky's manufacturing employment has ranked tenth among the states, and total non-farm employment growth has outpaced the national average. From 1989 to 1998, Kentucky experienced the third largest decline in the poverty rate, which shows that we are making great strides in improving the quality of life for all Kentucky citizens.

The Cabinet for Economic Development took several steps in 2001 to be more effective in creating better opportunities for the people of the Commonwealth. Here are just a few:

- The Cabinet opened a South America representative office in Santiago, Chile, to increase exports for Kentucky companies.
- The Kentucky Economic Development Partnership adopted a new Kentucky Strategic Plan for Economic Development. The strategic plan ensures clear linkages to the broad goals and strategic initiatives outlined by Governor Paul Patton, while building on past strategic plan efforts.
- Basing its findings on a survey of over 50 site-selection consultants, *Expansion Management Magazine* has ranked Kentucky's Bluegrass State Skills Corporation (BSSC) fifth among all state programs for its efforts in facilitating customized business and industry training services for new, expanding and existing companies. This is an improvement from a ranking of ninth last year.

Kentucky's positive business environment is the result of cooperation between the private sector, state and local government, the Kentucky General Assembly and the many economic development groups throughout the Commonwealth. It is vital that we continue to make strides in improving the quality of life and providing new opportunities for Kentucky's citizens. I look forward to working with our many partners in building on our past successes and creating a better future for the Commonwealth.

Sincerely,



Marvin E. Strong, Jr., Secretary



The Governor's Economic Development Leadership Award is annually presented to Kentuckians whose vision and leadership have improved the state's local, regional and statewide economy.

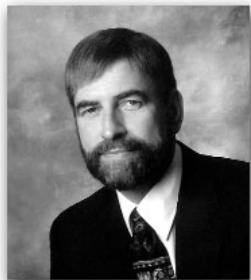
LEADERSHIPawards

Four Kentuckians who have made their mark at the local and regional level received the Governor's Economic Development Leadership Award in 2001. The award not only recognizes the leaders in Kentucky's economic development efforts, but it is also hoped that these

effective leaders will inspire others to take the initiative to lead in their own communities. Chosen from nominations received statewide, 26 Kentuckians have been honored with the Governor's Economic Development Leadership Award since it was initiated in 1996.

The 2001 recipients are:

James H. Booth
Inez
President of Czar
Coal Corporation



Luther Deaton, Jr.
Lexington
President and CEO
Central Bank and Trust Company



William G. Fuqua
Russellville
Attorney at Law



Martha C. Johnson
Covington
Vice President
Ashland Inc. Foundation





The Dana Corporation, one of the world's largest suppliers to vehicle manufacturers, operates 14 facilities throughout Kentucky including this one in Hopkinsville. Transportation equipment – primarily motor vehicle – is Kentucky's largest manufacturing employment sector with 43,600 workers.

ECONOMIC overview

Kentucky experienced historically significant prosperity during the 1990s. During the past decade, Kentucky's economy has advanced in virtually every category of economic development: gross state product, salaries and incomes, reduced unemployment, and population growth. In many ways, Kentucky's economic growth has generally been a reflection of the consequential economic expansion that has been achieved nationally.

Gross State Product

Kentucky's gross state product (GSP) has increased every year since 1991 (1992 constant dollars). Kentucky's GSP exceeded \$113.5 billion during 1999.

Manufacturing (1999) is the state's primary economic sector producing \$31.3 billion of GSP. Within manufacturing, transportation equipment (primarily motor vehicle related) accounts for \$9.2 billion in GSP. The transportation equipment GSP more than doubled between 1994 and 1999, while overall manufacturing increased by 37 percent.

Kentucky's fastest growing industry sectors from 1994 to 1999 were transportation (59.3 percent), construction (52.4 percent), and services (47.9 percent). Investment holding and financial services were the state's fastest growing individual industries in this period.

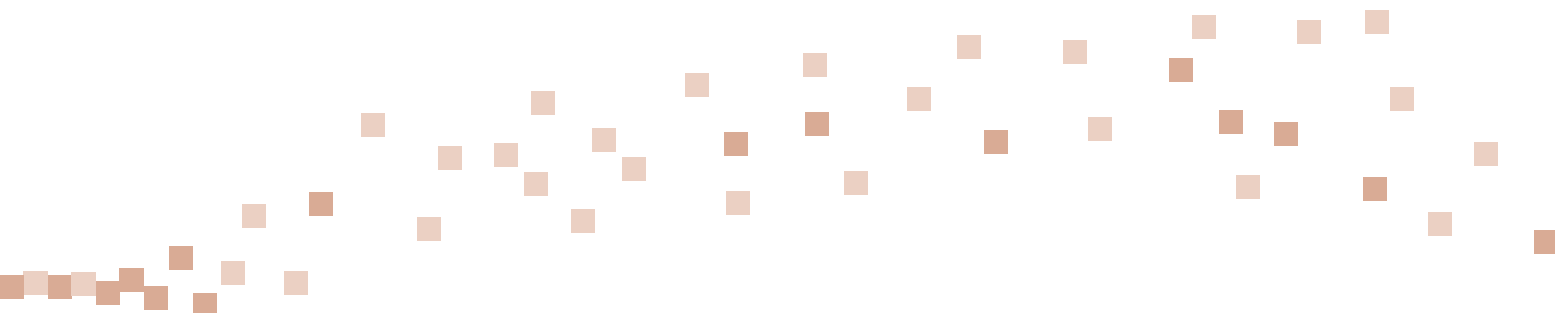
Employment

Kentucky's 2001 annual unemployment rate was 4.7 percent (preliminary). On an annual basis, a record number of Kentuckians (1,837,200) were employed in non-agricultural jobs in the Commonwealth for 2001. Service industry job growth has proved to be very strong during 2001 with significant gains in health and business services. Manufacturing jobs declined during the 2001 business cycle primarily in apparel, textile, metal, industrial equipment and electronic industries.

Transportation equipment (primarily motor vehicle) represents Kentucky's largest manufacturing employment sector, employing 43,600 workers. The health services industry is the state's largest service industry employer with over 153,200 jobs.

Poverty, Income & Wages

Kentucky has historically experienced chronically high levels of poverty. However, the state has notably reduced poverty levels since 1989's census level of 19 percent to 15.3 percent for 1998. Kentucky's percentage decline in poverty rates during this period is the third largest decline in poverty in the United States. Kentucky's 2000 average wage level per job (\$27,116) is 82.9 percent of the United States' wage rate, and the state's per capita personal income (\$28,665) is 81.7 percent of the national average.





The more than 300 Kentucky expansion announcements in 2001 included commercial printing leader R.R. Donnelley, which increased capacity at its Danville and Glasgow operations, creating 209 new jobs. Kentucky's job growth in manufacturing showed the ninth highest increase nationally from 1990-2000.

MAJORexpansions

During 2001, announced expansion projects resulted in total capital investment of more than \$782 million, creating 8,210 new jobs. Three hundred and ten manufacturing operations announced expansions in Kentucky during 2001 representing 3,697 new jobs and \$625.2 million in new investment in the state. During this same time-period, 16 new supportive/service operations announced investments, creating another 2,325 new jobs with a total new investment of more than \$760.1 million.

American Woodmark, a manufacturer of kitchen cabinets, continued to expand its Wayne County operation near Monticello. More than \$6 million in new equipment will be installed to increase the amount and type of component parts produced at this facility. The increased production will result in the addition of 181 new jobs.

Central Manufacturing Company manufactures wheels for the automotive industry at its Paris facility. A new expansion will include a capital investment of more than \$46 million and add 156 new jobs in Bourbon County.

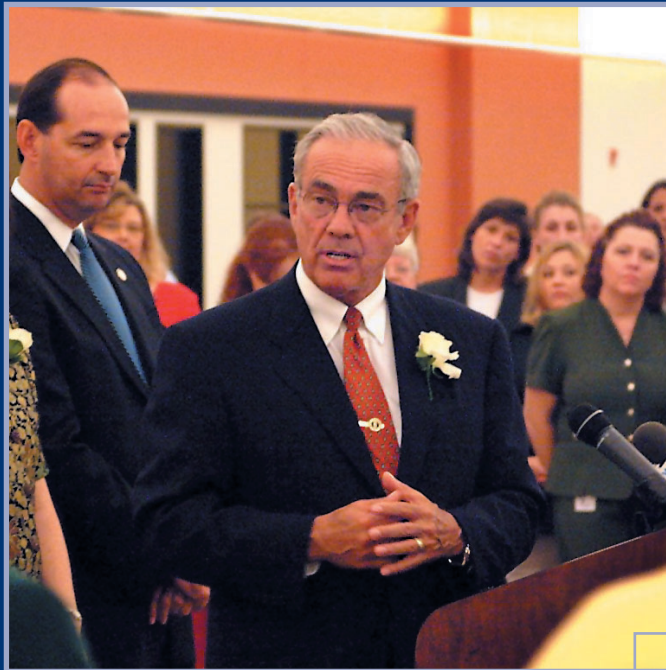
Citibank's credit card servicing and processing center in Florence is expanding to add another 2,000 new jobs. The project's new capital investment in Boone County exceeds \$49 million.

LYNX Services LLC's Paducah operation will add 175 new jobs with the completion of a \$3.6 million expansion. LYNX is an inbound claims processing center for automotive glass replacement claims, located at the Information Age Park in McCracken County.

Mubea Inc., a manufacturer of dual-coated automotive springs, will invest an additional \$31 million in its Boone County facility, creating 145 new jobs.

R. R. Donnelly & Sons Company, a global leader in the commercial printing and Internet services industry, expanded capacity at both of its Kentucky facilities. The combined projects totaled \$58 million in capital investment and created 209 new jobs. The Glasgow facility received \$45 million in new equipment and 115 new jobs, with \$13 million invested and 94 new jobs at the Danville facility.

Teleplan Service Solutions is a logistics service and computer-repair operation in Louisville. A new capital investment of more than \$6 million will result in the creation of 310 new jobs at the Jefferson County facility.



Governor Patton announces that Cingular Wireless will build a service center in Carter County, creating 1,000 new jobs. Fifty-four companies chose Kentucky for new operations in 2001, representing an increase of nearly 5,000 jobs.

MAJOR LOCATION announcements

Thirty-eight manufacturing operations announced investments in Kentucky during 2001, representing over 2,615 new jobs and new investments in the state of over \$279 million. During this same time-period, 16 new supportive/service operations announced investments, creating another 2,300 new jobs with a total of new investments of \$760 million.

Akebono Corporation announced plans to construct its fourth Akebono manufacturing facility in the U.S. – all four are located in Kentucky. The new Springfield plant will produce brake pads for original equipment manufacturers, as well as for the automotive aftermarket, and will employ 176 people.

ASUS Services Inc., a computer maker and repair company, plans to open a service center in Louisville. ASUS will lease 100,000 square feet at Jefferson Riverport International, investing \$5.5 million to start the company. The company will employ 275 workers.

GGF Heritage LLC selected Jamestown, Kentucky, for a new facility that will manufacture brackets and tubes for jet aircrafts. The company will employ approximately 90 at full operation in a newly constructed 30,000-square-foot facility.

Galerie Au Chocolat, a Cincinnati-based company, custom designs confectionery gift products and chocolates. The company will consolidate its corporate headquarters and distribution facilities into a 270,000-square-foot facility in AirPark West in Hebron, Kentucky. The new operation will create 75 new Kentucky jobs with a total investment of an estimated \$11 million.

Toyotetsu MidAmerica will establish a \$12 million automotive metal parts production operation in Owensboro, Daviess County, Kentucky. The company anticipates the creation of 130 new jobs during its first year of operation.



A new Akebono Corp. plant, creating 176 jobs in Springfield, is outlined by Secretary Gene Strong. The brake pad manufacturing facility is Akebono's fourth U.S. operation – all in Kentucky. Thirty-eight manufacturing operations announced Kentucky investments in 2001.

NEWmanufacturing

New manufacturing firms with 25 or more employees

County	Company	Employees	Investment \$	Product
Boone	Sola Optical	137	7,800,000	Eyeglass lenses
Bullitt	Conveyor Installation & Management	50	900,000	Conveyor components
Carter	Globe Hardwood Inc.	35	949,227	Secondary wood processing operation
Casey	Casey Furniture Manufacturing Inc.	75	1,000,000	Furniture
Christian	Tennessee Wire Technologies	100	97,000	Auto/HVAC/appliance electrical wire harnesses & control panels
Christian	Toyoda Gosei Company Ltd.	152	45,000,000	Automotive weatherstripping
Cumberland	Rocore Serck LLC	90	2,000,000	Heat transfer equipment for transportation industry
Daviess	Elkin Company LLP	97	4,500,000	Egg processing
Daviess	Toyotetsu Mid America LLC	150	13,385,000	Stamped and welded automotive parts
Fulton	Mayfield Cap	50	480,000	Baseball caps
Graves	Southwest Tire Mold Inc.	50	830,000	Manufacture and remanufacture
Harlan	C & H Manufacturing Inc.	35	150,000	Metal fabrication automotive tire molds
Jefferson	JCK Enterprises LLC	35	1,000,000	Welding, punching, designing and painting metal & steel products
Knox	BJ Matt Inc.	25	6,690,500	Automotive moldable fiberglass mat
Larue	CMH Manufacturing Inc.	150	5,854,000	Manufactured homes
Larue	Quadrant Technology Corp.	30	805,000	Magnetic materials
Lewis	Northern Contours of Kentucky Inc.	35	1,500,000	Kitchen cabinet components
Marshall	Precision Steel Inc.	35	1,642,478	Fabricate raw steel into structural steel components
Perry	American Woodmark Corporation	260	22,826,195	Hardwood components for kitchen & bath cabinets
Pike	Eagle Environmental Products LLC	50	3,800,000	Environmental remediation products
Rowan	Traditional Home Builders LLC	200	5,995,000	Modular homes
Russell	GGF Heritage Manufacturing LLC	90	5,319,000	Configuration hardware for aerospace jet aircraft engines
Simpson	Franklin Precision Industry Inc. (FPI)	30		Aluminum die casting
Simpson	New Mather Metals	94	18,000,000	Automotive stabilizer bars
Simpson	Toyo Automotive Parts	130	13,700,000	Automotive anti-vibration rubber parts
Warren	CTS Fahrzeug-Dachsysteme	75	10,450,000	Convertible roofs
Warren	Kiriu USA Company Ltd.	30	8,000,000	Automotive brake rotors and drums
Washington	Akebono Corporation	176	77,140,000	Friction brake pads
TOTALS	28	2,466	\$259,813,400	



The wood products industry is thriving in Kentucky. In addition to locating a new facility with 260 new jobs in Perry County, American Woodmark Co. announced expansion of its Monticello operation in 2001, creating 181 new jobs making kitchen cabinet components.

EXPANDINGmanufacturing

Expanding manufacturing firms with 25 or more employees

County	Company	Employees	Investment \$	Product
Barren	R. R. Donnelley & Sons Company	115	45,000,000	Commercial printing & information services
Barren	Yosemite Investment Inc. dba North American Capacitor	32	2,900,000	Aluminum electrolytic capacitor
Boone	Balluff Inc.	25	1,450,000	Electronic sensors for industrial automation
Boone	The Hennegan Company	60	9,200,000	Commercial printing
Boone	L'Oreal USA Products Inc.	284	40,000,000	Hair & skin care products
Boone	Mubea Inc.	145	31,200,000	Dual-coated automotive springs
Bourbon	CMC / CLA	156	46,210,000	Automotive aluminum wheels
Boyle	R. R. Donnelley & Sons Company	94	13,000,000	Commercial printer & information services
Casey	Tarter Gate Wood Products LLC	50	2,075,000	Lumber and pallet mill
Clark	Winchester Coatings	50	2,123,000	Coating of mild steel & galvanized parts
Christian	Budd-Tallent Company	30	12,800,000	Automotive assemblies, suspension systems
Crittenden	Par 4 Plastics Inc.	25	450,000	Custom injection and molded plastic products
Graves	Vegan Metal Fabrication Company	45	900,000	Metal containers, storage racks, hauling devices
Grayson	Modern Transmission Development	40	2,500,000	Washing machine transmission sub-assemblies
Hardin	Standard Register Company	25	3,000,000	Labels
Hart	Oscarware Inc.	200	1,000,000	Wire mesh, welding, porcelain coating, air filters
Jackson	Elite Machine Technology	60	2,600,000	Repair & rebuild industrial machinery
Jefferson	Kentuckiana Curb Co./ KCC Intl. Inc.	40	2,500,000	Metal roof components
Jefferson	Sport Paint Inc.	35	4,000,000	Automotive industrial paint finishing supplier
Jefferson	Tube Turns Technologies Inc.	150	20,000,000	Custom forgings
Jessamine	Jackson Plastics Inc.	50	300,000	Plastic injection molding
Laurel	Highland Diversified Services	25	450,000	Subcontract assembly
Lewis	Hollinee LLC	100	5,125,000	Glass-fiber air filter media
Lyon	Diversified Decorative Plastics LLC	70	400,000	Plastic automotive parts, emblems and nameplates
Madison	Electronic Assembly Corporation	100	8,100,000	Electronic assemblies, printed circuit boards
McCreary	Lesportsac Inc.	75		Softside luggage, sport totes and bags
Metcalfe	Kingsford Manufacturing	37	14,499,000	Charcoal briquettes
Montgomery	Thornberry Enterprises Inc.	25	1,106,159	Millwork
Nelson	American Fuji Seal Inc.	61	11,000,000	Labels
Nelson	Intertec Systems LLC	110	3,172,000	Automotive instrument panels
Pulaski	GE Lighting LLC	57	2,000,000	Pressed glassware, lenses, reflectors and refractors
Pulaski	Mac Metal	30	1,256,500	Metal roofing and siding
Shelby	Katayama American Company Inc.	33	7,980,000	Automotive components
Simpson	Harman/Becker Automotive Systems	50	5,470,000	Automotive equipment
Todd	Cal-Maine Foods Inc.	60	17,000,000	Eggs
Warren	DESA International	105	1,200,000	Zone heating units
Washington	Springfield Products Industries LLC	55	2,357,945	Automotive head rests
Washington	Toyotomi-America Company	50	1,000,000	Automotive after-market products, stampings
Wayne	American Woodmark Company Inc.	181	5,800,000	Kitchen cabinet components
TOTALS	39	2,935	\$331,124,604	



Western Kentucky Power LLC announced plans to build a new generating facility in Marshall County, joining 29 existing or proposed coal-fired plants in the state. With abundant coal supplies, Kentucky's electric utilities provide reliable power and at the lowest industrial rates in the nation.

NEWsupportive/service

New supportive/service firms with 25 or more employees

County	Company	Employees	Investment \$	Product
Boone	Galerie Au Chocolat	82	370,000	Headquarters, marketing and distribution
Boone	Xanodyne Pharmacal	35	318,922	Headquarters
Bullitt	LNT Inc.	360	7,200,000	Distribution
Carter	Cingular Wireless LLC	1,000	16,560,000	Wireless service center
Fayette	Inhalation Technology Inc.	37	4,000,000	Pharmaceutical research
Fayette	See That Again	35	475,000	Internet marketing services
Henderson	Van Houtte Inc.	65		Distribution and coffee roasting
Jefferson	ASUS Services Inc.	275	5,500,000	Computer repair and help desk
Jefferson	Broder Brothers Company	60	1,200,000	Distribution
Jessamine	Eagle Ventures	30	50,000	Claims service center
Kenton	Adelphia Business Solutions Operations Inc.	68	1,095,000	Telecommunication
Kenton	FuneralCentral.com	47	677,910	Headquarters/data center
Marshall	Western Kentucky Power LLC	126	717,500,000	Waste coal electric generating station
Russell	Alliance Tobacco	70	250,000	Distribution center
TOTALS	14	2,290	\$755,196,832	

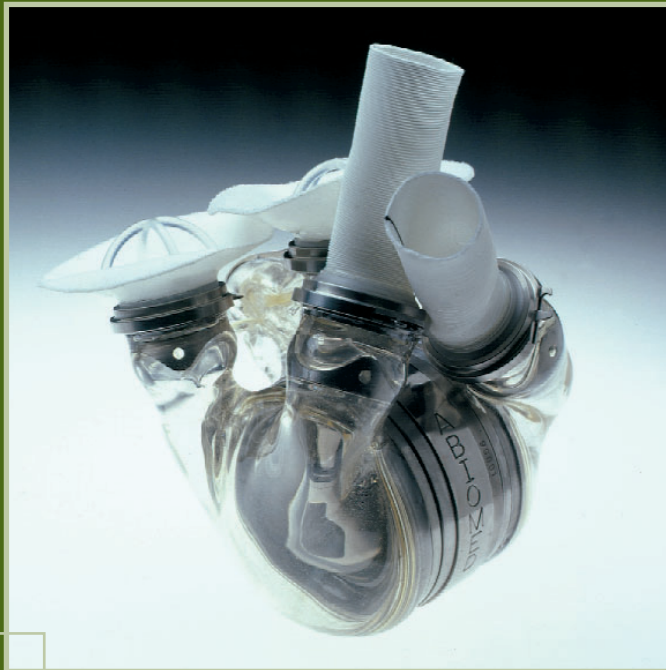


Citibank broke ground for a major expansion of its Citicorp Credit Services operation in Boone County, with up to 2,000 jobs to be created. Expansion projects announced in 2001 will produce more than 8,200 new jobs throughout Kentucky.

EXPANDINGsupportive/service

Expanding supportive/service firms with 25 or more employees

County	Company	Employees	Investment \$	Product
Boone	Citicorp Credit Service	2,100	40,000,000	Collections, credit risk detection and customer service
Boone	Thomson Learning Inc.	150	3,000,000	Distribution
Carter	Sal-Mar Technology Inc.	75	506,010	Central office vendor installation service
Fayette	Gall's Inc.	38	760,000	Distribution & call center
Fayette	Gall's Inc.	100	3,000,000	Light bar assembling for fire trucks, uniform embroidering and badge engraving
Fayette	YourAlly.com	30	95,000	Internet marketing service center
Jefferson	Business Intelligent Systems	25	300,000	Software development and consulting service center
Jefferson	bValuation	38	236,000	Internet information service center
Jefferson	Genscape Inc.	50	450,000	Headquarters and service center
Jefferson	Healthcare Recoveries Inc.	175	981,400	Insurance claims service center
Jefferson	Investmart of Louisville Inc.	115	600,000	Headquarters, call service center
Jefferson	RxCrossroads LLC	27	540,000	Marketing & distribution center
Jefferson	Teleplan Service Solutions Inc.	310	6,200,000	Logistics service, computer repair
Jefferson	ERS Solutions	50	905,000	Service center for auto industry
Jefferson	Fellon-McCord and Associates	55	1,100,000	Energy consulting service brokerage
Knox	Southeastern Kentucky Rehabilitation Industries Inc.	299	3,000,000	Sheltered workshop; military hats and caps
Mason	Federal Mogul Corporation	110		Distribution of engine parts
McCracken	LYNX Services Inc.	175	1,926,060	Customer service center to process auto replacement glass claims
Warren	AFNI Inc.	100	500,000	In-bound call center
TOTALS	19	4,022	\$64,099,470	
GRAND TOTALS:	100	11,713	\$1,410,234,306	



The Office for the New Economy is helping foster a stronger research and entrepreneurial climate in Kentucky. This will spur business development and innovations such as the AbioCor heart implants at Louisville's Jewish Hospital, which focused worldwide attention on Kentucky in 2001.

majorACCOMPLISHMENTS

The community web portion of the Cabinet's Economic Development Information System (EDIS) was launched. The **Division of Research** and the **Division of Site Evaluation** collected information so that every county now has 20 pages of detailed economic data on the web. The community information on the Cabinet's website replaces the hard-bound community brochures with a continuously updated web-based version.

Kentucky ranked second in the U.S. for new jobs created per one million population for 1998 – 2000, according to *Site Selection* magazine's annual expansion scoreboard. The state ranked fifth for new and expanded facilities, 10th for capital investment per one million residents and ninth for new and expanded global facilities for the same period.

Kentucky ranked eighth in the number of jobs created in 2000, based on a report of the **state's top 10 job-creating project announcements** for that year in the sixth annual jobs survey conducted by *Area Development* magazine. Of the 38,000 jobs reported in the mid-south states, 8,500 were created in the Commonwealth.

The **Office for the New Economy** created the **Kentucky Innovation and Commercialization Centers (ICC)** program to facilitate the innovation and commercialization process statewide.

The program consists of a network of **six ICCs and 13 satellite offices** located in Louisville, Lexington and northern, central, eastern and western regions of the state. The ICCs are envisioned as public/private catalysts that will provide business-building and related resources to Kentucky entrepreneurs, faculty and scientists across the state and link companies to potential funding sources.

Total global investment in Kentucky is \$20,785,000,000, with 97,700 affiliate jobs and 698 affiliates. This is 5.7 percent of total employment, while the national average is 4.7 percent. It is 21.5 percent of the total manufacturing employment, while the national average is 12.1 percent.

The **International Trade Division** opened its South American trade office in Santiago, Chile, created to assist Kentucky companies requiring technical and market entry assistance in the South American marketplace. The office will focus on the market opportunities in Argentina, Brazil and Chile.

As part of its ongoing partnership with the Kentucky Industrial Development Council (KIDC), the **Department of Community Development** assisted in holding one-day workshops on the economic development process. The workshops are directed at basic education for local elected officials and development board volunteers. In 2001, more than 220 persons attended the

workshops held in Somerset, Russellville, Gilbertsville, Elkton, Fort Mitchell and Shepherdsville.

During 2001, The **Kentucky Economic Development Finance Authority (KEDFA)** approved a total of \$7,565,732 in loans to 17 different borrowers, including both new and existing businesses as well as local industrial authorities. The loans approved will help create a total of 722 jobs in Kentucky over the next two years.

The **Department for Coal County Development** participated with the Governor, who waged a personal marketing campaign for the coal counties, especially those in the most distressed region of Kentucky, the southeast. A video and four professionally prepared brochures were developed to facilitate marketing efforts.

Ten Kentucky communities ranked in *Site Selection* 2000's **Top 100 Small Towns** for corporate expansion, according to the March 2001 issue. The communities are Bowling Green (2), Frankfort (15), Elizabethtown (18), Glasgow (29), Franklin and Paducah (40), Bardstown (42), Madisonville (51), Mount Sterling (75) and London (95).

Kentucky's **total employment increased** by over 362,500 from July 1, 1990, to July 1, 2001. Kentucky ranked 19th in percent change in employment with a 20.2 percent increase from 1990 to 2000. The U.S. had a growth rate of 17.85 percent. From 1990

to 2000, manufacturing employment growth in Kentucky showed the ninth highest increase in the nation.

Employment growth as a result of **foreign direct investment** grew 42.2 percent from 1990 to 1998. Growth for the U.S. was only 19 percent.

All programs of the **Department of Financial Incentives** received a clean audit bill of health this year with no instances of non-compliance from the outside independent auditors that conducted examinations. This speaks well of the Cabinet's effort to monitor the projects for statutory and contractual requirements.

Kentucky is at the center of "auto alley"

– ranking third in the country in total light vehicle production. Four of the top 10 cars and trucks in U.S. production and the premiere American sportscar, the Corvette, are made in Kentucky. The state is the fourth largest producer of cars in the U.S. and fourth largest producer of trucks. **Nearly 10 percent of all cars/trucks produced in the U.S. are made in Kentucky.** Kentucky is fifth in total North American light vehicle production.

Kentucky produces the top-selling car in America (Georgetown – **Toyota Camry**) and the top-selling truck in the U.S. (Louisville – **Ford-F series**) and the third top-selling truck in the U.S. (Louisville – **Ford Explorer**).

During 2001, the **Regional Offices made 2,098 direct business contacts** and assisted in 64 expansion projects. These expansions are projected to result in total capital investment of more than \$486 million, creating 4,495 new jobs and retaining 537 existing jobs. An additional seventeen business start-ups were assisted, with a total capital investment of almost \$52 million and projected to create another 908 jobs.

The Kentucky Business and Industry Information System (KBIS) was launched. For the first time, the existing industry data-gathering of the **Division of Research** and the **Division of Site Evaluation** has been integrated into one system. Cabinet staff can now get access to all of the existing industry data in KBIS, including new and expanding industries data.

There was ongoing improvement of the **statewide GIS system** built by the **Division of Site Evaluation** in 2000. The Cabinet has a fully functional statewide system with transportation and utility infrastructure, environmental information, topography, aerial photography, existing industry locations, workforce and demographic information and many other layers of information.

In 2000, **Kentucky ranked 22nd among the 50 states in total export value**, with over \$10 billion in total exports. Kentucky had the **eighth highest growth rate** with a 10.5 percent average annual increase

since 1990. The U.S. had a 7.1 percent average annual growth rate in the same time period.

Kentucky ranked 12th in the nation in value added per production worker in 1999, 10.6 percent above the national average and up from 22nd in 1990. Kentucky value added per production man-hour in manufacturing is 11.2 percent higher than the U.S. average for 1999.

The **Bluegrass State Skills Corporation (BSSC)** awarded grants totaling \$5,531,087.84 to fund 242 projects to 200 Kentucky companies in 2001. **BSSC** also approved 15 training consortia projects for funding, totaling \$468,711.59. The BSSC Skills Training Investment Credit Program provided \$906,792.83 in tax credits to 16 companies in 2001.

BSSC received a 2001 Innovation Award from the National Association of Development Organizations for its participation in the NELCO training consortium project in Nelson County. The NELCO training consortium is comprised of nearly 20 companies that came together to utilize the **Kentucky Manufacturing Skill Standards Assessment (KMSS)** as a tool to place dislocated workers with NELCO member companies. BSSC has been the primary funding source for both training consortia and the KMSS initiatives.

The **Division of Small & Minority Business Development** was a leader in the implementation of a 16-week training program for minority and women contractors in the Lexington area. This program is a collaboration of several state and community organizations to develop competitive skills in the area of government procurement contracting. During 2001, the **Business Information Clearinghouse** responded to more than 16,000 calls for informational assistance.

The **Office for the New Economy**, through the **Kentucky Economic Development Finance Authority (KEDFA)**, granted \$5 million dollars to the University of Louisville and the Louisville Medical Center Development Corporation for the construction of the **Louisville Technology Innovation Facility Center (LTIFC)**. **LTIFC** is to be located in downtown Louisville near the U of L Medical School campus. The Center will house two distinct but converging business acceleration programs: the Information Technology Resource Center and the life science focused Louisville Medical Center Business Accelerator, and the Louisville ICC. The **LTIFC's** multi-disciplinary focus will foster the development of crossover technologies between the information technology and life science/health care areas.

In 2001, 31 companies were preliminarily approved for **Kentucky Jobs Development Act (KJDA)** incentives, with an accumulative

total of \$106,371,364 in approved costs, creating a total of 4,423 new Kentucky tax-paying jobs with average annual gross wages of \$38,510 or average hourly wages of \$18.51. Thirty-seven companies received final approval for total approved costs in the amount of \$126,893,355, creating 5,072 new Kentucky jobs with average annual gross wages of \$35,620 or average hourly wages of \$17.13.

The **Kentucky Industrial Development Act (KIDA)** program was responsible for 36 companies electing to expand or locate in Kentucky for 2001. These 36 companies are anticipated to invest approximately \$463,000,000 and create 2,785 new jobs. An additional 31 companies completed their KIDA transactions in 2001 resulting in 2,196 new jobs and a total private investment of approximately \$563,000,000.

In January, the **International Trade Division** implemented the Governor's Conference on Latin America. The Louisville event drew more than 500 attendees to hear more than 100 speakers on the business climate and trade opportunities in Latin America. Keynote speakers included John Negroponte, current U.S. Ambassador to the United Nations, and Kenneth MacKay, White House Special Envoy to the Americas.

The **Department of Community Development**, along with the KIDC, performed community assessments to help direct the efforts of selected local economic

development programs. A two-day program is held in each community, utilizing a volunteer team of evaluators to examine local resources and facilitate discussion sessions with local leaders. A formal report, outlining specific action steps and timelines, is provided to the community following the visit. During 2001, community assessment programs were held in McCreary, Rockcastle, Hart and Henry Counties.

The **Office for the New Economy**, through KEDFA, granted \$500,000 to Madison Avenue Launch Team Inc. for renovations of a downtown office building in Covington to serve as the home of the **Madison E-Zone Commercialization Center**. The **E-Zone** will serve as a business accelerator for start-up technology businesses and the offices for the Northern Kentucky ICC.

The **Office for the New Economy**, through KEDFA, granted \$5 million dollars to Eastern Kentucky University (EKU) for the construction of the **EKU Business and Technology Center (EK BTC)**. The **EK BTC** will house the ICC for the eastern region of the state and several business acceleration programs including: an entrepreneurship and technology center, a small business development center, a business and technology conference center, and an incubator facility to facilitate the creation of "new economy" businesses.

The Regional Center for Emerging Technologies, Murray State University

was granted \$400,000 by the **Office for the New Economy** through KEDFA to establish the **Kentucky Energy and Environmental Consortium**. The consortium will address the issues of energy and environmental issues unique to Kentucky, work to secure grant/contract funds for R&D in energy and environmental science and support the development and commercialization of new technologies. The consortium will consist of scientists from Murray State University, University of Louisville and University of Kentucky.

Average annual per capita **personal income growth**, 1990 to 1999, for Kentucky was 4.61 percent compared to 4.28 percent for the U.S. Per capita personal income from 1990 to 1999 increased by 50.07 percent, the 15th highest per capita personal income growth rate in the U.S. The U.S. growth rate was 45.74 percent.

The **Economic Development Bond Program (EDB)** made bond funds available to seven different projects across the state totaling \$2,564,000 during the calendar year 2001. The **Industrial Revenue Bond Issue Program (IRB)** made available \$84,835,000 for four projects.

In 2001, a total of 34 companies received preliminary approval under the **Kentucky Rural Economic Development Act (KREDA)** program. These 34 companies are anticipated to invest approximately \$870,000,000 and create about 2,413 jobs in Kentucky

counties with high unemployment rates. Also in 2001, 33 companies finalized their **KREDA** transactions resulting in approximately \$203,000,000 in new investment and 3,286 new jobs.

The **Kentucky Economic Opportunity Zone Act (KEOZ)**, passed in the 2000 General Assembly, provides tax credits to companies that establish new or expand existing manufacturing, service or technology operations in a qualified zone. Qualified zones are located in areas with high unemployment and poverty levels. Nine opportunity zones were certified during 2001, including five counties eligible under the **Kentucky Rural Economic Development Act (KREDA)**. **KEDFA** approved one project for \$2.4 million in tax credits to a service and technology company in Pulaski County.

During calendar year 2001, **KEDFA** approved seven single-county projects, seven multi-county projects and four job-training projects for approximately \$17 million. The major portion of money committed was for engineering, potential acquisition, infrastructure and speculative building construction. These projects represent the creation of 1,389 new jobs for Kentucky as part of the **Regional Industrial Park** program within the **Department for Coal County Development**.

Throughout the year 2001, the **Regional Industrial Park** program acquired over 120 new acres, located three new companies

and began construction of two spec buildings. The program includes nine established parks, two parks in early development stages and one proposed park. Park location announcements for 2001 include Daicel Safety Systems America, Cingular Wireless LLC and American Woodmark.

- **Daicel:** The Green River Regional Industrial Development Authority requested \$755,385 for infrastructure and site-related costs for the benefit of Daicel Safety Systems America. Daicel Safety Systems America LLC, a Japanese corporation with domestic headquarters in New Jersey, plans to invest approximately \$26.5 million toward construction of a 70,000-square-foot manufacturing plant in Bluegrass Crossings Business Center, plus land and equipment. In order to accommodate the site, it will be necessary to provide for the extension of water lines, construction of a water storage tank, sewer lines, signage and related engineering work. The project will also accommodate other industrial development at the park. Daicel will manufacture inflators for use in airbag systems used by the automotive industry. The company proposes to initially create 50 new jobs.

- **Cingular:** The Northeast Kentucky Regional Industrial Authority Inc. requested \$37,500 in single-county job training grant funds or coal severance

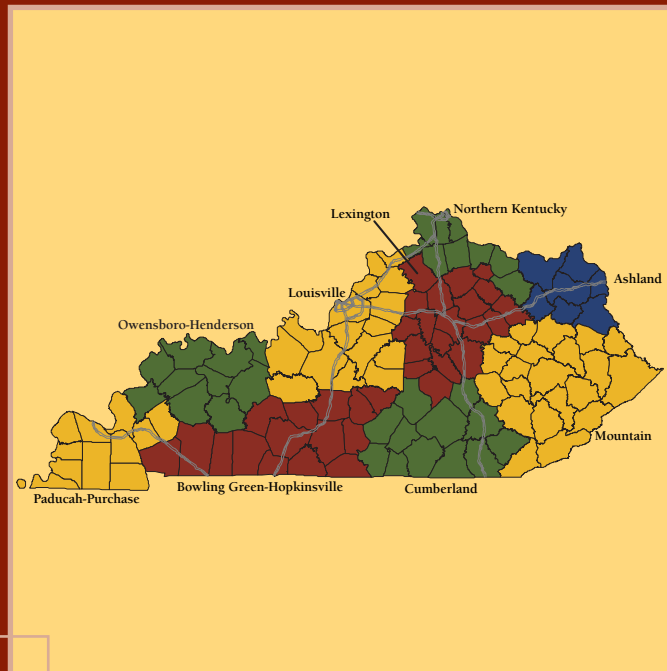
tax account funds from Boyd, Carter, Greenup and Lawrence Counties for a total of \$150,000. The money is to be used to assist Cingular Wireless LLC with its training needs. Cingular Wireless is a new company, formed by joining the wireless divisions of BellSouth Corporation and Southwestern Bell Corporation. The company will provide an estimated 1,000 jobs.

- **American Woodmark:** The Perry-Harlan-Leslie-Breathitt Regional Industrial Authority requested \$8,000,000 in multi-county funds to assist American Woodmark Corporation in constructing a 220,000-square-foot state-of-the-art facility on 30 acres in the Coalfields Regional Industrial Park in Perry County and related infrastructure. The company will process lumber into hardware components for kitchen and bath cabinets. A total of 260 jobs (230 semi-skilled; 30 managerial) with an average hourly wage of \$8.44 will be created by the end of the third year with probable growth to occur beyond that. Capital investment by the company at this facility will exceed \$20 million.

In July 2001, the **International Trade Division** coordinated a Kentucky trade delegation led by Governor Patton to Guadalajara and Mexico City, Mexico. A group of 30 joined the governor on this inaugural visit to the Commonwealth's fifth largest trading partner. Highlights of

the trip included meetings with state and federal officials, including representatives of the ministries of energy, environment and tourism, as well as Kentucky companies operating in Mexico, including Lexmark and Papa John's International.

Through the efforts of the **Kentucky Procurement Assistance Program (KPAP)** more than 1,300 Kentucky companies received direct assistance in government procurement, resulting in \$86 million in new contracts or sales during 2001. A new primer on the formation of business alliances was released in both printed and electronic formats. KPAP also participated in 27 training events attended by 1,769 people.



A key strategic planning initiative in 2001 was a special report analyzing the state's economic development performance by region. The study examines how each of Kentucky's nine regions compares with similar regions in other states.

2001 strategic planning activities

In 1992, the Kentucky General Assembly enacted HB 89 to provide for continuity and stability in the state's economic development system, professionalism in the leadership of the primary state economic development agency and long-range planning to meet the demands of a competitive global economy. HB 89 mandated the preparation of a state strategic plan for economic development and the creation of the Kentucky Economic Development Partnership. The partnership adopted the **Kentucky Strategic Plan for Economic Development** in May 1994.

The original plan called for five goals, with 22 strategies and 76 tactics. Teams involving more than 800 Kentuckians from all geographic, demographic and economic backgrounds were assembled to work toward realizing each tactic set forth in the plan. Progress on the Kentucky Strategic Plan for Economic Development occurred at a vigorous pace, with solid results. The plan was revised in 1997 to reflect 21 tactics that were completed and new tactics needed to accommodate emerging possibilities and priorities. Since 1997, progress has continued with another 22 tactics accomplished and 10 more tactics, as part of ongoing Cabinet operations.

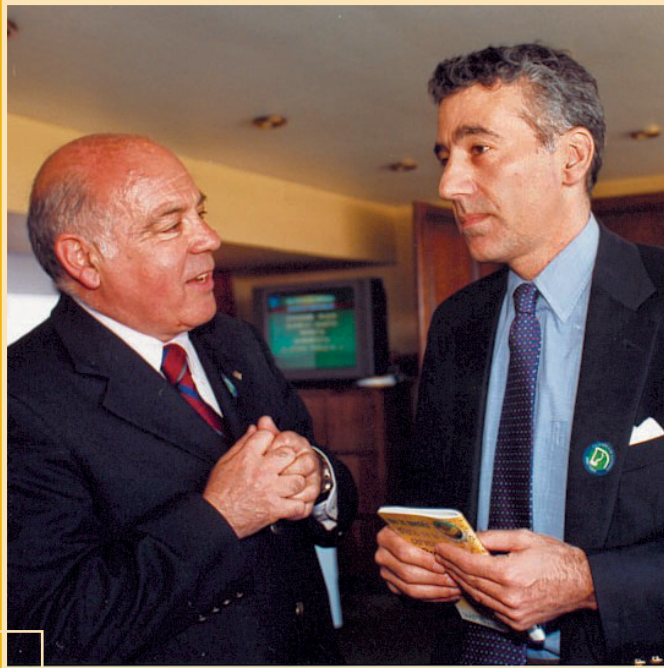
The Partnership Board retained Paul Coomes, Ph.D., Professor of Economics and National City Research Fellow at the University of Louisville, to prepare a report on "The Recent Economic Performance

of Regions in Kentucky." Michael Price, Kentucky State Demographer, University of Louisville, assisted with the report. The report provided the partnership with an assessment of how each region in the state compares economically with similar regions in other states. The report found that although Kentucky has enjoyed significant job growth in all regions, earnings per job have not kept pace with the nation. The report cited low educational attainment levels as one of the "Causes of Differential Regional Economic Growth" affecting earnings growth.

Cabinet officials met with representatives from economic development agencies for input on possible objectives that need to be undertaken as part of the plan. The final draft of the strategic plan was approved by the partnership and the governor's office in November 2001.

If you would like more information or a copy of the Kentucky Strategic Plan for Economic Development, or are interested in working on implementation, contact:

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Kentucky's South America Trade Office in Santiago, Chile, opened in 2001. Senén Cornejo, left, director of the office was welcomed by Philip Goldberg, of the USA Embassy, Santiago. Kentucky's marketing in Europe received new leadership with Barbara Goodman appointed director of the European Representative Office in Brussels, Belgium.

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